

Phumelela Gaming & Leisure Limited
(Registration number 1997/016610/06)
(Incorporated in the Republic of South Africa)
Share Code: PHM ISIN: ZAE000039269
("Phumelela" or "the Company" or "the Group")

COVID-19 Impact on JSE Listings requirements

In respect of the letter to issuers by the JSE on 10 March 2020 concerning the impact of COVID-19 on JSE Listings Requirements and the statement issued on SENS in this regard by the Group on 20 March 2020, the following updated information is pertinent as to the impacts of COVID-19 and the responses thereto.

The first statement to shareholders in respect of the impact of COVID-19 was issued prior to the nationwide lockdown which came into effect at midnight, 26 March 2020. The guidelines and restrictions on public gatherings were therefore superseded by a strict prohibition on movement and assembly. Consequently, the South African horse racing industry has by law been unable to stage race meetings from the date of the lockdown. All of Phumelela's betting shops are closed with no revenues being earned

The cessation of horse racing has meant that there is no South African product to export internationally. Training centres remain operational under strict access control and sanitization protocols. Horses are being kept in prime condition in order to return to racing as soon as permission is granted to do so. Sports betting has been negatively affected by sporting fixtures such as soccer being cancelled. Online betting is open, but revenue is insufficient to compensate for this large void and betting opportunities have in any event been sharply curtailed.

The Group is faced with circumstances that are beyond its control and which have had a material adverse effect on revenue since the start of lockdown. Measures have been implemented to reduce costs where possible, however many costs remain fixed. Phumelela's share of betting levies, worth R75m p.a., that were withdrawn in April 2019 have not yet been reinstated and urgent negotiations continue with representatives of the Gauteng Government to do so.

Stakeholders are referred to the going concern statement disclosed in note 36 of the 2019 annual report. The going concern status is assessed continually in the light of prevailing conditions. At this stage, the Group cannot reliably quantify the financial effect for this financial year or the next financial year caused by COVID-19 and governments' consequent shut-down of most economic activity.

Should the lockdown be lifted at the end of April and racing be permitted to resume, possibly behind closed doors, then the horse racing industry is planning to recommence racing on 1 May. Racing fixtures have been rescheduled accordingly. The National Horse-Racing Authority is coordinating representations on behalf of all the key players in horse racing to the National Coronavirus Command Council. If racing is not given authority to resume in early May, together with the opening of betting-shops, it is likely that a rationalisation of the entire horse racing industry and associated value chain in South Africa will occur with consequent significant loss of jobs and reduced tax collections. It is note-worthy that independent studies have calculated that some 40 000 jobs are dependent on the horse-racing industry in South Africa.

Shareholders are reminded that Phumelela is under cautionary and are advised to continue to exercise caution when dealing in the Company's securities.

Turffontein
20 April 2020

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